Program Guidelines – Indiana Housing Finance Authority
Owner-Occupied Rehabilitation

These guidelines are provided for Community Action Agencies (CAAs) who are recipients of Family and Social Services Administration's (FSSA) Weatherization Program. The intent is that the CAAs would make available HOME Investment Partnerships Program (HOME) funds throughout their entire service area.

If you have questions regarding this information or otherwise need technical assistance, please contact your Indiana Housing Finance Authority (IHFA) Allocation Analyst.

Allocation Method

IHFA will allocate HOME funds using a formula allocation modeled after FSSA's Weatherization's Program which is based on low-income population, elderly population, population of persons with disabilities and area heat index. The funds received under this program will not be counted towards the funding caps as listed in the Housing from Shelters to Homeownership Application Package and Qualified Allocation Plan.

The allocation of funds is as follows:

Community Action Agency	Allocation Amount
A.C.T.I.O.N., Inc. of Delaware County	$173,271
Agency on Aging & Community Action Programs (Area IV)	$169,753
Area Five Agency on Aging and Community Services, Inc	$225,809
Community Action of East Central Indiana	$171,561
Community Action of Greater Indianapolis, Inc.	$351,647
Community Action of Northeast Indiana, Inc.	$336,413
Community Action of Southern Indiana	$210,304
Community Action Program of Evansville and Vanderburgh County, Inc.	$142,484
Community Action Program of Western Indiana	$183,615
Community and Family Services, Inc.	$257,870
Dubois-Pike-Warrick Economic Opportunity Community, Inc.	$145,900
Hoosier Uplands Economic Development Corporation	$176,350
Human Services, Inc.	$333,830
Interlocal Community Action Program, Inc	$169,110
JobSource	$124,737
Lincoln Hills Development Corporation	$106,556
North Central Community Action Agencies, Inc.	$210,454
Northwest Indiana Community Action Corporation	$251,622
Ohio Valley Opportunities, Inc.	$193,967
REAL Services, Inc.	$310,902
South Central Community Action Program, Inc.	$213,410
Southeastern Indiana Economic Opportunity Corporation	$176,076
Wabash Valley Human Services, Inc.	$201,687
Western Indiana Community Action Agency, Inc.	$162,672
TOTAL ALLOCATION	**$5,000,000**

Geographic Distribution

No HOME funds may be expended in the following communities:

Anderson	Gary	Muncie
Bloomington	Hammond	St. Joseph County Consortium**
East Chicago	Indianapolis*	Terre Haute
Evansville	Lake County	Tippecanoe County Consortium***
Fort Wayne		

**The Cities of Beech Grove, Lawrence, Speedway, Southport, and the Town of Cumberland when the housing activity is located in Hancock County would be eligible to receive assistance.*

***St. Joseph Housing Consortium is made up of the entitlement cities of South Bend and Mishawaka and the unincorporated areas of the county, and these areas would not be eligible to receive funding from IHFA. Other incorporated areas would be eligible to receive assistance.*

****Lafayette Consortium is made up of the entitlement cities of Lafayette and West Lafayette and the unincorporated areas of the county, and these areas would not be eligible to receive funding from IHFA. Other incorporated areas would be eligible to receive assistance.*

Eligible Beneficiaries

- Each household must have an annual income equal to or less than 80% of the area median income (adjusted for household size) for the program county. Section 8 definition of household income applies. However, you may choose to target or limit program participation to those households at or below 125% of the poverty level as defined by FSSA.
- Household must meet one of the following criteria:
  - Elderly - is defined as a person 60 years of age or older. However, for IHFA reporting purposes, our definition of elderly is 62 years of age or older so you will only report elderly as those persons 62 years of age or older;
  - Persons with Disabilities - means the inability to engage in any substantial, gainful activity, by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of 12 months or longer. A household member may be considered disabled if he/she receives one or more of the following benefits:
    - Social Security Disability
    - Veterans Disability
    - SSI Disability
    - Vocational Rehabilitation Services
    - Black Lung Disability
    - Medicaid Disability.
    - A disabled household is defined as a home with any member meeting the above definition of disabled; or
  - Children under age 6.

Eligible Properties

- The occupant must own the property and use it as his or her permanent residence.
- Any owner-occupied single-family property or a condominium unit.
- Ownership must be in the form of fee simple title or 99-year leasehold.
- If there is a long-term lease on the property, the 99-year lease must be recorded in the County Recorder office of the county in which the property is located.

- If the housing is manufactured home, it must be a single dwelling unit designed and built in a factory, installed as a permanent residence, which bears a seal certifying that it was built in compliance with the Federal Manufactured Housing Construction and Safety Standards law and which also complies with the following specifications:
    1. Shall have been constructed after January 1, 1981, and must exceed nine hundred fifty (950) square feet of occupied space per I.C. 36-7-4-1106 (d);
    2. Is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two Family Dwelling Code;
    3. Has wheels, axles and towing chassis removed;
    4. Has a pitched roof;
    5. Consists of two (2) or more sections which, when joined, have a minimum dimension of 20' X 47.5' enclosing occupied space; and
    6. Is located on land held by the beneficiary in fee-simple title, recorded land sale contract, or 99-year leasehold and is the principal residence of the beneficiary.
    - All other manufactured or mobile homes that do not meet the aforementioned criteria are ineligible to receive rehabilitation assistance on developments funded by the Indiana Housing Finance Authority.

Eligible activities **DO NOT** include:
- Rehabilitation of mobile homes not meeting IHFA's Manufactured Housing Policy (as outlined above).
- Creation of secondary housing unit(s) attached to a primary unit.
- Homes located within the boundaries of the 100-year floodplain.
- Rental housing.

Rehabilitation Requirements

IHFA encourages investments that will preserve housing units as decent, safe, and affordable for the long term. With HOME-funded activities, rehabilitation must bring each assisted unit up to the more stringent of either the Indiana State Building Code or local rehabilitation standards. There may be instances, however, when it is not financially feasible to assist a homeowner if substantial rehabilitation is need and the cost exceeds the funds available.

In developing your work specifications and completion of the rehabilitation work, you must follow the IHFA Rehabilitation Standards.

These funds can be used in conjunction with your weatherization program or may be used on homes that are not receiving funding through FSSA.

CAAs may utilize new or existing staff to complete the rehabilitation work. Alternatively, if CAAs do not have the staff capacity to conduct the rehabilitation activities, you will be required to competitively procure for these services.

Subsidy Limitations

HOME funds used for rehabilitation, program delivery, relocation and demolition combined cannot exceed:
- $25,000 per unit.
- On a case-by-case basis, IHFA will entertain requests to exceed the per unit subsidy limitations.
- Minimum amount of HOME funds to be used for rehabilitation is $1,000 per unit.

Program Provisions

- All regulatory HOME requirements listed in 24 CFR Part 92 must be met. IHFA is bound to these regulations and may require additional requirements.
- The appraised value of the HOME-assisted unit after rehabilitation must not exceed FHA 203(b) mortgage limits for the area.

- After rehabilitation appraisals must be completed by a licensed appraiser.
- Contractor liability and/or property insurance that includes coverage for work done by contractors is required throughout the construction period.
- The applicant is required to complete the Environmental Review and Section 106 Historic Review and submit it to your Compliance Monitor prior committing or expending funds on HOME-assisted properties. See the Environmental and Historic Review Handbook for further explanation of these requirements.
- CAAs must submit a copy of their program guidelines with their OOR Annual Program Plan.
- All construction on homes must begin at least 90 days prior to the end of the contract year.
- CAAs are subject to the HUD requirements of dealing with lead based paint hazards. For an explanation of the regulatory requirements, see IHFA's Housing from Shelters to Homeownership Implementation Manual.
- We encourage CAAs to participate in their Housing Continuum of Care region.
- HOME funding for 12 or more assisted units under a single ownership and with similar financing may be subject to Davis Bacon wage provisions of 29 CFR Parts 1, 3 and 5. We are continuing to research this issue to determine if this program will be subject to Davis Bacon wage provisions.

Affordability Requirements

- The amount of subsidy per unit includes: rehabilitation, program delivery, relocation assistance and demolition.
- The affordability periods are as follows:

Amount of HOME subsidy per unit	Affordability Period
Under $25,000 per unit	3 years
Over $25,000 per unit (with prior IHFA approval)	5 years

Form of Assistance

IHFA will provide the funds to CAAs in the form of a grant. The CAAs may provide these funds as a grant, forgivable, amortized or deferred loan directly to the beneficiary. Any repayments received by the CAA, however, must be returned to IHFA.

CAAs providing funds to the beneficiary in the form of a grant – Resale Requirements

If the funds are provided as a grant, the funds will be subject to a "resale". A restrictive covenant, as provided by IHFA, for the assisted property which stipulates the following must be executed: (1) if the homeowner sells the property during the affordability period, the home must be sold to an income eligible household; (2) the home must remain beneficiary's permanent residency; (3) the homeowner must maintain adequate homeowner's insurance; and (4) upon death of the owners the declaration is released.

All legal documents between the CAA and beneficiary must be recorded at the county recorder's office. These documents will be reviewed by IHFA staff at monitoring.

CAAs providing funds to the beneficiary in the form of a forgivable, amortized or deferred loan – Recapture Requirements

In cases where funds are provided as a loan, the funds will be subject to "recapture", and you will be required to execute a loan agreement, promissory note, mortgage, restrictive covenant and other documents as necessary for the assisted property.

A title company must be used for all loans that made between the CAA and the beneficiary.

All legal documents between the CAA and beneficiary must be recorded at the county recorder's office. These documents will be reviewed by IHFA staff at monitoring.

The amount to be recaptured is based on a prorata shared net sale proceeds calculation. If there are no proceeds, there is no recapture. Any net sale proceeds that exist would be shared between the CAA and the beneficiary based on the number of years of the affordability period that have been fulfilled, not to exceed the original HOME investment.

The net proceeds are the total sales price minus all loan and/or lien repayments. The net proceeds will be split between the CAA and the borrower as outlined according to the forgiveness schedule below for the affordability period associated with the property. The CAA must then repay the recaptured funds to IHFA.

3-Year Affordability Period

Number of Years Fulfilled	% of HOME Funds Recaptured
Year 1	66%
Year 2	33%
Year 3	0%

5-Year Affordability Period

Number of Years Fulfilled	% of HOME Funds Recaptured
Year 1	80%
Year 2	60%
Year 3	40%
Year 4	20%
Year 5	0%

Matching Requirement

There is not a match requirement for this program.

However, IHFA is responsible for meeting a 25% HOME match requirement. We encourage CAAs to document other funds invested into a property in order to help fulfill our match liability to HUD.

Any match that is documented under this program will not also be allowed to offset match requirements under the Housing from Shelters to Homeownership Program and Qualified Allocation Plan (QAP). However, if you are an entity that has banked match under the HOME Program and would like to contribute a portion of your match to this program, you would need to complete the form as provided by IHFA.

All of the following are eligible HOME match:

- Cash contributions permanently dedicated to the HOME program from non-federal funds and not donated by the applicant or the designated property owner.
- Program income from a federal grant earned after the end of the award period if no federal requirements govern its disposition (i.e., program income generated from the Rental Rehab Program).
- Grant equivalent of the present discounted value of the yield foregone in a below-interest rate loan.
- The present discounted, cash value, based on customary and reasonable means for establishing value, of State or local taxes, fees, or other charges that are normally and customarily imposed or charged.
- The cost, not paid with federal resources, of on-site or off-site infrastructure improvements that are directly required for the HOME-assisted development. The infrastructure must have been completed no earlier than 12 months before HOME funds are committed to the project.
- Donated site-preparation or construction materials not acquired with federal funds, or the reasonable rental value of the donated use of site preparation or construction equipment.
- Volunteer skilled or unskilled labor and donated professional services. Unskilled labor is currently calculated at the rate of $10 per hour.

- The direct cost of supportive services provided to families residing in HOME-assisted units during the affordability period. The supportive services must be necessary to facilitate independent living or be required as part of a self-sufficiency program.
- Contributions to non-HOME-assisted but HOME-eligible developments, if certain federal requirements are met (income eligibility of occupants, property standards, rent limits, project occupancy requirements, affordability period, and tenant protections).
- Neighborhood Assistance Program (NAP) credits awarded through the Indiana Department of Commerce.
- Build Indiana grants.
- SWEEP funds.

<u>Ineligible forms of match:</u>

- Contributions made with or derived from federal resources, including CDBG funds.
- Rural Development grants or loans.
- The interest rate subsidy attributable to tax-exempt financing or the value attributable to federal tax credits.
- Owner equity or investment in a project.
- Cash or other forms of contributions from applicants (other than sweat equity), or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for assistance for a HOME-assisted project.
- Funds used to pay for administrative or environmental review costs.

Non-HOME Assisted, HOME-eligible housing

In the event you want to count funds expended on a home that you have brought up to code but have not assisted with HOME-funding, the following must be documented:

- The household must be income eligible (at or below 80% AMI);
- Unit must meet the stricter of the Indiana State Building Code or local rehabilitation standards;
- The after rehabilitation value of the home may not exceed HUD’s 203(b) Mortgage Limits;
- The property must be either owned in a fee simple title or 99-year leasehold;

Contract Term

The HOME award must be fully expended within contract year, October 1– September 30.

Eligible Activity Costs

If you have a question about which line item an expense goes under, contact your IHFA Compliance Monitor.

REHABILITATION – Eligible costs include:

- Hard costs associated with rehabilitation activities.
- Accessibility Modifications.
- Lead-based paint interim controls and abatement costs.
- Utility connections including off-site connections from the property line to the adjacent street.
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.
- Contingency funds used for unanticipated hard cost overruns or change orders.
- Site work related to driveways, sidewalks, landscaping, etc.

DEMOLITION – Costs associated with the demolition and clearance of existing structures.

PROGRAM DELIVERY - Program delivery costs are those costs that can be directly tracked by address. They include soft costs and client related costs that are reasonable and necessary for the implementation and completion of the proposed housing activity. This line item along with administration and environmental review cannot exceed 20% of the HOME request and the line item can be drawn down 25% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items. (e.g. If you have only drawn down 25% of hard costs, then you can only draw down 50% of program delivery).

Eligible costs include:

Engineering/Architectural Plans	Credit reports	Client intake/income verification
Plans, specifications, work write-ups	Title searches	Impact fees
Inspections	Recording fees	Lead hazard testing
Cost estimates	Private lender origination fees	Realtor fees
Building permits	Appraisals	Legal and accounting fees
Demolition permits	Travel to and from site	Utilities of assisted units
Financing costs	Builders risk insurance	Phase I Environmental Assessments
Program delivery costs	Consultant fees	Other professional services
Closing costs paid on behalf of homebuyer		

RELOCATION - This includes relocation payments and other relocation assistance for permanently and/or temporarily relocated individuals. Relocation payments include reasonable out-of-pocket expenses for temporary relocation purposes.

ADMINISTRATION - The administration line item includes the costs directly related to administering an IHFA HOME award and complying with the regulations associated with these funds. This line item cannot exceed 5% of a HOME request. This line item along with program delivery and environmental review cannot exceed 20% of the HOME request. This line item can be drawn down 25% at the beginning of the housing activity and then at a rate that does not exceed the rate of drawing down the hard cost line items. (e.g. If you have only drawn down 25% of hard costs, then you can only draw down 50% of award administration.) The costs associated with preparing the application are not eligible for reimbursement through a HOME award. This line item does not incur a match liability for HOME awards.

Eligible costs include:

Staff costs and professional services associated with reporting, compliance, monitoring, or financial management

Affirmative marketing	Lead-based paint training	Postage
Fair housing education	Housing activity related training	Communication costs
Office materials and supplies	Travel for Housing activity related training	Photocopying
Office rent and utilities		

ENVIRONMENTAL REVIEW – This line item includes expenses associated with the Section 106 Historic Review and environmental review release of funds process. This does not refer to a Phase I Environmental Assessment. This line item along with program delivery, and administration cannot exceed 20% of the HOME request. Eligible costs for this line item are generally between $2,000 and $5,000 and include professional services, publication costs, photocopying, and postage. For further information, refer to the Environmental and Historic Review Handbook or contact your IHFA Compliance Monitor at (800) 872-0371 for further guidance.

INELIGIBLE COSTS – The following costs are generally ineligible for reimbursement from HOME funds, unless specifically listed as eligible in an individual Eligible Activity description:

- Cost associated with any IHFA application preparation.
- Purchase or installation of luxury items, such as swimming pools.
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers. Allowable exceptions to this prohibition, however, include stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners.

- Mortgage default/delinquency correction or avoidance.
- Loan guarantees.
- All funds drawdown on a house that is not brought to the stricter of the Indiana State Building Code or local rehabilitation standards must be returned to IHFA.